



THE CITY OF SAN DIEGO

MEMORANDUM

DATE: May 21, 2013

TO: Honorable Council President Todd Gloria, Budget Review Committee Chair
and Budget Review Committee Members

FROM: Jeff Sturak, Financial Management Director

SUBJECT: Fiscal Year 2014 Budget Review Committee Referral Response

This memorandum is in response to questions asked at the Review Committee Meeting held on May 8, 2013. The responses are listed by department in the order that they were reviewed by the Committee.

OFFICE OF THE ACOO

COUNCIL DISTRICT 3

QUESTION:

When will performance measures be complete?

RESPONSE:

Performance measures will be ready in time for the release of the Fiscal Year 2015 Proposed Budget by April 15, 2014.

COUNCIL DISTRICT 5

QUESTION:

How do the post meet-and-confer savings for the Fleet Services managed competition compare with the original bids?

RESPONSE:

The Employee Proposal Team (EPT) submitted two bids: an original bid and an alternate bid, which retains more work in-house and has a higher price tag. The Managed Competition Independent Review Board (MCIRB) evaluated the two EPT bid values against the bids received from outside bidders and determined that the outside bidders' submissions were more than 10

Honorable Council President Todd Gloria, Budget Review Committee Chair and
Budget Review Committee Members
May 21, 2013

percent higher than both of the EPT bids. The MCIRB recommended the award to the EPT based on its original bid, which resulted in greater savings. The agreement reached with the labor organizations during the course of meet-and-confer does not yield savings as great as the original EPT bid and resembles more closely the alternate EPT bid.

PURCHASING & CONTRACTING

COUNCIL DISTRICT 5

QUESTION:

Why does CIP streamlining require the addition of 1.00 Supervising Management Analyst to the Equal Opportunity Contracting Program (EOCP)?

RESPONSE:

CIP Streamlining impacts the overall capacity (volume) of projects active in EOCP. EOCP is active in several phases of the CIP: preliminary engineering, project identification (Restricted Competition), annual goal setting, design phase, bid and award phase, construction and closeout. The increase in capacity requires additional staff to manage and support programmatic and CIP efforts at the management and staff level. In addition, CIP utilizes federal dollars which requires strict compliance with Code of Federal Regulations and the implementation and monitoring of programs such as Title VI.

COMPTROLLER

COUNCIL DISTRICT 5

QUESTION:

Are there restrictions on the use of the San Diego Data Processing Corporation (SDDPC)'s cash balance?

RESPONSE:

The bylaws state that the remaining assets of SDDPC shall revert to the member (City of San Diego) upon dissolution to be used solely for charitable purposes. Since the City does more than \$20.0 million per year of pure charitable activities, it is likely that this money would come directly into the City's General Fund.

COUNCIL DISTRICT 8

QUESTION:

What happens to rent from Karl Strauss once SDDPC has transitioned to the City? Does it end in December?

Honorable Council President Todd Gloria, Budget Review Committee Chair and
Budget Review Committee Members
May 21, 2013

RESPONSE:

The rent will be paid to the City upon dissolution of SDDPC. It is a 40 month lease that began on February 1, 2012 and the lease ends on June 1, 2015. There are two, 2 year options to extend.

DEPARTMENT OF INFORMATION TECHNOLOGY

COUNCIL DISTRICT 3

QUESTION:

Please provide a timeline for Constituent Relationship Management (CRM) implementation.

RESPONSE:

Below is a timeline for implementation of CRM in the Mayor's Office:

January - February – Research and Acquisition
March - April – Configuration of Workflows
May – Beta Testing of Workflows, Database Entry
June – Training and Office-Wide Go Live

COUNCIL DISTRICT 5

QUESTION:

Please provide a breakdown of the purpose of each of the five IT funds.

RESPONSE:

The purpose of the each of the IT funds is provided below.

General Fund (Department of Information Technology)

The Department of IT's General Fund is used to budget for the replacement of personal computers (PCs) in General Fund departments, as well as houses the Department's Multimedia Services Division's operating budget.

The budget for PC replacement in Fiscal Year 2014 is an increase over the previous year as many PCs in the General Fund are over four years old and require upgrades due to the Microsoft Windows 7 implementation.

Multimedia Services was restructured into the Department of IT in the Fiscal Year 2014 Proposed Budget. However, in the May Revision, Multimedia Services is transferring back to a stand-alone division reporting to the Office of the Mayor. The Division's operating budget is entirely funded by the General Fund, although the Program Manager's position is cost recoverable and therefore considered to be cost-neutral.

GIS Fund

The GIS Fund was created to support the management of a common enterprise Geographical Information System (GIS) environment and Applications for the City of San Diego, the operational cost of which is allocated on an annual basis to those departments that use the GIS applications.

Information Technology Fund

The Information Technology Fund supports the operational budget for those Department of IT staff who are responsible for providing strategic technology direction to the City, managing and implementing IT governance processes in support of the cross-departmental IT Business Leadership Group (ITBLG), developing and implementing IT operational policies and standards citywide, managing contracts for IT services with various service providers, providing support for citywide technologies and applications, and coordinating major citywide activities including IT customer relationship management, IT Security, IT procurement, and the citywide IT budget. Departments who use IT services are assigned a budgetary allocation each year based upon their prior-year IT spending, for the purpose of reimbursing the IT Fund for the costs incurred for providing continued citywide IT support.

OneSD Support Fund

The OneSD Support Fund is used to support staff who are responsible for the management and support of the City's Enterprise Resource Planning (ERP) Systems, SAP. OneSD Support Fund revenues come from the OneSD Support Transfer that is allocated to departments each year based on a three-tier approach: 1) the allocation of the proposed budget for Customer Care Solutions (CCS) to Public Utilities, 2) the allocation of the remaining ERP proposed budget citywide based upon City departments' SAP use in the prior year, and 3) the upcoming year cost to each department based upon prior year staffing levels.

Wireless Communication Technology Fund

The Wireless Communications Technology Fund supports the Communications and Network Services Division of the Department of IT whose staff manages the service delivery for communications technologies. Communications and Network Services staff engineer, install, operate, and maintain secure, regional and metropolitan-wide wireless and wireline voice and data communications systems and equipment, and administer contracts for commercially-provided communication/network services.

Wireless Communications Technology Fund revenue comes from the Wireless Communications transfer that is allocated to departments each year based upon the following criteria: 1) the average number of employees in the most recently completed fiscal year, 2) a weighted sum of the number of units of different types of communications equipment used by the department, 3) a weighted sum of the dollar amount of expenditures in cell phone operating costs and communications equipment purchases in the most recently completed fiscal year, and 4) a weighted sum of the number of units of communications equipment utilizing City Communications Infrastructure. In addition to the funding received by the Wireless

Honorable Council President Todd Gloria, Budget Review Committee Chair and
Budget Review Committee Members
May 21, 2013

Communications Transfer, the Wireless Communication Technology Fund also receives less than 10 percent of its revenue from outside agencies for the use of the public safety communications systems.

The Wireless Communications Technology Fund was previously part of the Information Technology Fund, but was separated into its own fund in Fiscal Year 2010 when the Communications and Network Services Division was restructured from the Department of IT to become part of the General Services Department. In Fiscal Year 2013 the Communications and Network Services Division was restructured back into the Department of IT.

OTHER

COUNCIL DISTRICT 3

QUESTION:

How are the fringe benefits allocated and/or determined?

RESPONSE:

Attachment 1 provides the allocation methodologies for the fringe benefits.

CITY ATTORNEY

COUNCIL DISTRICT 1

QUESTION:

Please provide information regarding the Service Level Agreement (SLA) between the City Attorney's Office and the Public Utilities Department.

RESPONSE:

The City Attorney's Office executed a SLA with the Public Utilities Department for \$1.0 million for Fiscal Year 2013 and \$985,000 for Fiscal Year 2014. The Fiscal Year 2013 SLA estimates reimbursement for the legal services of 3.82 full-time equivalent (FTE) Deputy City Attorneys, 0.32 FTE Investigators, 0.80 FTE Paralegals, and 1.28 FTE Legal Secretaries.

QUESTION:

Please provide the amount paid in lost litigations.

RESPONSE:

Lost litigation is interpreted to mean Judgments against the City, and is typically paid out of the Public Liability Fund, which is administered by the Risk Management Department, not the City Attorney's Office. Judgments paid out in Fiscal Year 2011 was \$1.8 million.

COUNCIL DISTRICT 3

QUESTION:

Is there any vacancy level beyond the vacancy savings target?

RESPONSE:

The vacancies in the City Attorney's Office fluctuate week to week as they must fill positions that are critical to their operations. In addition, the City Attorney's Office must fulfill their Charter-mandated duties. In the Fiscal Year 2014 Proposed Budget, the vacancy factor is set at \$752,959 which equates to 17.50 FTE. There is no vacancy level beyond the vacancy savings target. As a matter of fact, the department can commit to keeping 9.50 FTE vacancies for a total savings of \$369,666. In previous years, the department was able to meet a high vacancy rate and come in within budget; however, the department does not anticipate being able to meet the vacancy rate set in the Fiscal Year 2014 Proposed Budget for several reasons:

- With the recent changes in Retiree Tax Laws, the City Attorney's Office has seen a reduction in the number of provisional employees with the expertise needed willing to return to work in a provisional capacity after retirement. Many of the vacant positions were filled temporarily to address the ever changing needs in the Criminal and Civil Divisions or to assist with high profile cases. The classifications used for these purposes were City Attorney Investigator, Legal Secretary and Court Support Clerks. Not having a pool of provisional employees has forced the department to fill permanent positions. Additionally, the Personnel Pool has not been able to provide temporary staffing needed to address staffing issues.
- Historically, the City Attorney's Office has experienced extended leaves of absence of Deputy City Attorneys for maternity leave. In the majority of these cases, this approved leave provides the department with 4-5 months of salary savings. Although these types of leaves are impossible to project, the City Attorney's Office anticipates having fewer requests for leave of absence this coming fiscal year.
- As in previous years, the City Attorney's Offices states that they are committed to coming in within budget and will do what is needed to meet a realistic vacancy factor, based on their operational needs.

COUNCIL DISTRICT 8

QUESTION:

Regarding the Consumer Protection Unit revenue funds, how have these funds been distributed in the past?

RESPONSE:

The Proposition 64 Fund was created in 2004 and is a depository for all civil penalties that are awarded in consumer protection law enforcement court actions brought in the name of The People of the State of California (not the City of San Diego) under California's Unfair Competition Law as codified in California Business and Professions Code section 17200. Proposition 64 limits the use of these funds to consumer protection enforcement. The Consumer and Environmental Protection Unit Fund predates the Prop 64 fund and has been used as a depository for attorney's fees and costs recovered during civil litigation in both consumer and environmental cases. The City Attorney's Office would be happy to discuss the option of committing to using approximately \$925,000 to offset the cost to the General Fund for legal work they perform annually for Consumer and Environmental Protection, if all of the proposed reductions to their Fiscal Year 2014 Proposed Budget are restored.

COUNCIL DISTRICT 9

QUESTION:

How much is the 25.50 FTE vacancies worth in expenditures?

RESPONSE:

According to the City Attorney's Office, the 25.50 FTE vacancies referred to in the IBA report reflected staffing levels as of April 16, 2013 and are not representative of current vacancies. Since that snapshot was taken, the department has hired or is in the process of hiring 16 positions. The 16 positions are at different stages of the recruitment/hiring process, and the City Attorney's Office asserts that they are critical to their operations. The department can commit to keeping 9.50 FTE vacancies for a total savings of \$369,666. As in previous years, the department is committed to coming in within budget and will do what is needed to meet a realistic vacancy factor based on their operational needs.

ECONOMIC DEVELOPMENT

COUNCIL DISTRICT 3

QUESTION:

What are the administrative (overhead) costs associated with the parking meter program?

RESPONSE:

The Fiscal Year 2012 actuals totaled \$2.0 million which represents the entire cost of Parking Meter Operations within the Office of the City Treasurer and a portion of staff time in Economic Development. This amount is projected to increase in Fiscal Year 2014 due to: increased merchant card banking costs related to the multi-space meters; installation of new meters; the hiring of additional Parking Meter Operations staff to work anticipated evening hours; and the new Community Parking District Program Senior Traffic Engineer working in the Economic Development Division.

Honorable Council President Todd Gloria, Budget Review Committee Chair and
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May 21, 2013

COUNCIL DISTRICT 5

QUESTION:

The parking meter plan has a target utilization goal of 85 percent. How close is the City on hitting that target?

RESPONSE:

The Fiscal Year 2012 parking meter utilization was as follows: 34 percent for non-smart, single space meters of which there are about 4,500; 54 percent for smart, multi-space pay stations of which there are 130 pay stations servicing 1,000 parking spaces; and 65 percent for smart, single space meters of which there are 51.

Jeff Sturak

JS/vm

Attachment:

1. Fringe Benefit Allocation Methodologies

cc: Honorable Mayor Bob Filner
Honorable Council Members
Vince Hall, Chief of Staff
Scott Chadwick, Interim Chief Operating Officer
Nelson Hernandez, Assistant Chief Operating Officer
Greg Bych, Interim Chief Financial Officer
Andrea Tevlin, Independent Budget Analyst
Francisco Estrada, Director of Council Affairs
Jan I. Goldsmith, City Attorney
Ken Whitfield, City Comptroller
Dennis Gakunga, Director of Purchasing & Contracting
Kelly Broughton, Director of Development Services
Financial Management Staff

Fringe Benefit	Description/Budget Determination	Allocation Methodology	Fringe Category	Allocation Basis
Annual Required Contribution (ARC)	The City's required annual contribution to the San Diego Employees' Retirement System (SDCERS), calculated in accordance with the plan assumptions. The budgeted amount is based on the ARC calculated in the SDCERS Actuarial Valuation.	Calculation based on actuary rates per retirement group provided by SDCERS.	Fixed	Rate per Pensionable Salary
Other Post Employment Benefits (OPEB)	Post employment benefits that a retired employee earns after retirement such as: medical insurance, dental, vision, life insurance and other health benefits. In Fiscal Year 2012, the City entered into a 15-year memorandum of understanding with each of its labor organizations and provided the same terms to unrepresented employees, regarding reforms to the retiree healthcare benefit for health-eligible employees. The agreements, which cannot be changed until Fiscal Year 2015 at the earliest, set the City's OPEB contribution at \$57.8 million for Fiscal Years 2013 through 2015, with annual increases of up to 2.5 percent after 2015.	Fixed amount is established and distributed to all benefited job classifications (budgeted amount divided by eligible FTE).	Fixed	Amount per FTE
Long-term Disability (LTD)	Long-term disability is an employee benefit plan designed to provide partial salary replacement to eligible employees who are unable to work due to a disability as a result of injury, illness, or pregnancy (established on September 4, 1981). Budgeted amount based on projected operating needs plus reserve contribution.	Fixed rate is established and distributed to all benefited job classifications (budgeted amount divided by total salaried wages of eligible FTE).	Fixed	Rate per Salaried Wages
Risk Management Administration (RMA)	The Risk Management Administration rate is established to support the appropriated expenditures that support all of the programs and services provided by the Risk Management Department. Such programs and services provided by the Risk Management Department includes managing the City's self-insured Workers' Compensation Programs; coordinating public liability and loss control measures intended to forecast and reduce the City's exposure to risks; administering the employees' health and safety programs, employees' benefits contracts, and programs including employees' savings plans, the Long-Term Disability Plan, and the Employee Assistance Program (EAP). Budgeted amount based on Risk Management Department projected expenditures for the fiscal year.	Fixed amount is established and distributed to all benefited job classifications (budgeted amount divided by eligible FTE).	Fixed	Amount per FTE
Unemployment Insurance	A State program whereby eligible unemployed persons receive cash benefits for a specified period of time. These benefits are paid out of funds derived from the City's contribution. The budgeted amount is based on the projected payments for the upcoming fiscal year.	Fixed rate is established and distributed to all benefited job classifications (budgeted amount divided by total salaried wages of eligible FTE).	Fixed	Rate per Salaried Wages
Workers' Compensation	State Workers' Compensation law that ensures that employees who are injured or disabled on the job are provided with fixed monetary awards. These laws are intended to reduce litigation and provide benefits for workers (and their dependents) who suffer work related accidents or illness. State Workers' Compensation statutes establish this framework of laws for the City of San Diego. Budgeted amount based on projected operating needs plus reserve contribution; allocated based on job class.	Allocated through rates established for each job class.	Fixed	Rate per Salaried Wages
Employee Offset Savings (EOS)	The labor negotiations in Fiscal Year 2005 resulted in the reduction of the City's Retirement Offset Contribution. These agreements specified that the savings the City realizes as a result of these reductions must be used to address the City's pension UAAL. Each City department is charged based upon its respective payroll and these funds are transferred into the EOS account. In Fiscal Year 2006, the City securitized \$105.4 million of the revenues it receives under the Master Settlement Agreement with tobacco companies (Tobacco Settlement Revenues or TSRs) and infused \$90.8 million into the Retirement system, in addition to the Fiscal Year 2006 ARC. Due to this securitization, TSRs that supported a variety of City Programs including the General Fund were backfilled by Employee Offset Savings (EOS).	Allocated through rates based on bargaining unit.	Variable	Rate per Salaried Wages
Flexible Benefit (FBP)	The Flexible Benefits Plan program is a cafeteria style benefits program regulated by the IRS, Section 125 rules and regulations. This program allows employees to choose the benefit plan coverage tailored to his/her family needs. The health plan premiums can be deducted on pre-tax basis to allow the employee to reduce his/her taxable wage for income tax purposes.	Allocation based on employee selections and bargaining unit.	Variable	Amount per FTE
DROP	In accordance with the Deferred Retirement Option Program (DROP) adopted in Fiscal Year 1997, the City is required to match 3.05% of the DROP participants' salary.	3.05% applied to all DROP employees.	Variable	Rate per Salaried Wages
Medicare	Medicare is a federal tax established by the Federal Insurance Contributions Act (FICA) that all employees and employers are required to pay. Medicare is an entitlement program similar to Social Security and is not based on financial need. Medicare benefits are available to all American citizens over the age of 65. Medicare is a federal program, the rules for eligibility remain constant throughout the nation and coverage remains constant regardless of where an individual receives treatment in the United States.	1.45% applied to all PEP, except for certain exempt employees.	Variable	Rate per Salaried Wages

Fringe Benefit	Description/Budget Determination	Allocation Methodology	Fringe Category	Allocation Basis
Supplemental Pension Saving Plan (SPSP)	The City opted out of Social Security in January 1982 and replaced it with the Supplemental Pension and Savings Plan (SPSP). SPSP accounts provide a way for eligible employees to add to their savings for retirement income, which is in addition to SDCERS' benefits. Local 145 & POA members do not participate in SPSP. Employees hired before July 1, 2009 must pay a mandatory 3.0% and can voluntarily contribute up to an additional 3.05% for employees hired after July 1, 1986 or 4.5% for employees hired on or before July 1, 1986. The City also matches these contributions up to 6.05%. Employees hired after July 1, 2009 are not eligible to participate in the City's SPSP program.	Allocation based on employee selections for voluntary; mandatory based on hire date/bargaining unit.	Variable	Rate per Salaried Wages
Retirement Offset Contribution (ROC)	As a result of labor negotiations, the City has agreed to offset or pay part of employees contribution towards retirement. The offset varies by bargaining unit (2.3% for Local 911, 0.4% for MEA, no other bargaining units currently have an offset contribution).	2.3% of salaried wages for Local 911, 0.4% for MEA	Variable	Rate per Salaried Wages
401 A Plan	The 401a is a type of retirement savings plan that allows employees to save for retirement. General members hired on or after July 1, 2009 but before July 20, 2012 receive a hybrid retirement plan which includes a reduced defined retirement benefit as well as a defined contribution savings plan (401a plan) with a mandatory employee contribution of 1.0% of payroll. The City has a pick-up provision of 1%; the contributions will be made on a pre-tax basis. Employees may also be allowed to make additional voluntary contributions, with no City match.	1.0% of salaried wages for general members hired on or after July 1, 2009 but before July 20, 2012.	Variable	Rate per Salaried Wages
Retirement Medical Trust (RMT)	The Retirement Medical Trust Fund Plan provides a method for eligible plan participants to pay, on a non-taxable basis, for qualified expenses including medical, dental and long term care premiums (as defined in the Internal Revenue Code (IRC) Section 213) that are otherwise reimbursed by insurance. For new employees hired after July 1, 2009.	0.25% of salaried wages for general members hired after July 1, 2009.	Variable	Rate per Salaried Wages
Defined Contribution Plan (Prop B)	On June 5, 2012, City of San Diego voters approved Proposition B, a pension reform initiative amending the San Diego City Charter. As a result, all employees hired on or after July 20, 2012, other than sworn police officers, are no longer eligible to participate in the City's defined benefit plan and are only eligible to participate in a defined contribution plan. New hires with offers of employment made on or after July 20, 2012, with no prior City service, and who are non-safety employees will be required to contribute 9.2% of their compensation to the plan, which will be matched by a 9.2% employer contribution. For safety employees, the mandatory employee and matching employer contributions will be 11.0% of compensation.	9.2% of salaried wages for non-safety employees, 11.0% for safety employees.	Variable	Rate per Salaried Wages